
By: **Senators Neall, Astle, Baker, Blount, Colburn, Collins, Conway, Currie, DeGrange, Della, Dorman, Dyson, Exum, Ferguson, Forehand, Frosh, Green, Hafer, Haines, Harris, Hoffman, Hogan, Hollinger, Hooper, Hughes, Jacobs, Jimeno, Kasemeyer, Kelley, Kittleman, Lawlah, Middleton, Mitchell, Mooney, Munson, Pinsky, Roesser, Ruben, Schrader, Sfikas, Stoltzfus, Stone, Teitelbaum, and Van Hollen**

Introduced and read first time: January 30, 2002

Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Nonprofit Health Service Plans - Financial Audit to Determine Value of**
3 **Public Benefits**

4 FOR the purpose of requiring the Maryland Insurance Commissioner, in consultation
5 with the Legislative Auditor, to contract by a certain date with an independent
6 consultant that has certain expertise to perform a certain financial audit to
7 determine the value of public benefits received by nonprofit health service
8 plans; specifying the contents of the retrospective audit; requiring the
9 independent consultant to make a certain report on the findings of the
10 retrospective audit by a certain date; providing for the application of this Act;
11 defining certain terms; and generally relating to nonprofit health service plans
12 and a certain financial audit to determine the value of public benefits received
13 by nonprofit health service plans.

14 BY adding to
15 Article - Insurance
16 Section 14-121.1
17 Annotated Code of Maryland
18 (1997 Volume and 2001 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
20 MARYLAND, That the Laws of Maryland read as follows:

21 **Article - Insurance**

22 14-121.1.

23 (A) THIS SECTION DOES NOT APPLY TO A NONPROFIT HEALTH SERVICE PLAN
24 THAT INSURES FEWER THAN 10,000 COVERED INDIVIDUALS IN THE STATE.

1 (B) (1) IN THIS SECTION, THE FOLLOWING WORDS HAVE THE MEANINGS
2 INDICATED.

3 (2) "COMMISSION" MEANS THE STATE HEALTH SERVICES COST REVIEW
4 COMMISSION.

5 (3) "NONPROFIT HEALTH SERVICE PLAN" INCLUDES A SUBSIDIARY OR
6 AFFILIATE OF A NONPROFIT HEALTH SERVICE PLAN.

7 (4) "SUBSTANTIAL, AVAILABLE, AND AFFORDABLE COVERAGE
8 DIFFERENTIAL" OR "SAAC DIFFERENTIAL" MEANS THE DIFFERENCE BETWEEN WHAT
9 THE NONPROFIT HEALTH SERVICE PLAN WOULD HAVE PAID FOR HOSPITAL
10 SERVICES WITHOUT THE SAAC DIFFERENTIAL, AND WHAT THE NONPROFIT HEALTH
11 SERVICE PLAN PAID FOR HOSPITAL SERVICES WITH THE SAAC DIFFERENTIAL.

12 (5) "SUBSTANTIAL, AVAILABLE, AND AFFORDABLE COVERAGE PRODUCT"
13 OR "SAAC PRODUCT" MEANS A HEALTH BENEFIT PLAN OFFERED IN THE NONGROUP
14 MARKET ON AN OPEN ENROLLMENT BASIS AS REQUIRED BY THE COMMISSION TO
15 QUALIFY FOR THE SAAC DIFFERENTIAL.

16 (C) ON OR BEFORE AUGUST 1, 2002, THE COMMISSIONER, IN CONSULTATION
17 WITH THE LEGISLATIVE AUDITOR, SHALL CONTRACT WITH AN INDEPENDENT
18 CONSULTANT THAT HAS EXPERTISE IN HEALTH CARE ECONOMICS TO PERFORM A
19 5-YEAR RETROSPECTIVE FINANCIAL AUDIT TO DETERMINE THE VALUE OF PUBLIC
20 BENEFITS RECEIVED BY NONPROFIT HEALTH SERVICE PLANS IN THE STATE AS
21 PROVIDED IN THIS SECTION.

22 (D) THE RETROSPECTIVE FINANCIAL AUDIT REQUIRED IN SUBSECTION (C) OF
23 THIS SECTION SHALL PROVIDE A 5-YEAR:

24 (1) VALUATION OF THE ANNUAL FINANCIAL BENEFIT OF ANY SAAC
25 DIFFERENTIAL AUTHORIZED BY THE COMMISSION AS COMPARED TO THE ANNUAL
26 VALUE OF ANY SUBSIDIES OF SAAC PRODUCT PREMIUMS PROVIDED TO ENROLLEES
27 IN THE SAAC PRODUCT OFFERED BY A NONPROFIT HEALTH SERVICE PLAN;

28 (2) ASSESSMENT OF THE FINANCIAL COST TO THE STATE OF ANY
29 WITHDRAWAL OF A NONPROFIT HEALTH SERVICE PLAN FROM PARTICIPATION AS A
30 MANAGED CARE ORGANIZATION IN THE STATE MEDICAL ASSISTANCE PROGRAM
31 UNDER TITLE 15 OF THE HEALTH - GENERAL ARTICLE, INCLUDING COSTS INCURRED
32 BY THE DEPARTMENT OF HEALTH AND MENTAL HYGIENE FOR:

33 (I) THE AUTOMATIC ASSIGNMENT OF ENROLLEES AFFECTED BY
34 THE WITHDRAWAL OF THE NONPROFIT HEALTH SERVICE PLAN TO ALTERNATIVE
35 MANAGED CARE ORGANIZATIONS;

36 (II) THE VOLUNTARY SELECTION OF AN ALTERNATIVE MANAGED
37 CARE ORGANIZATION BY ENROLLEES AFFECTED BY THE WITHDRAWAL OF THE
38 NONPROFIT HEALTH SERVICE PLAN;

1 (III) ANY MARKETING OR ADVERTISING COSTS INCURRED TO
2 FACILITATE THE TRANSITION OF ENROLLEES AFFECTED BY THE WITHDRAWAL OF
3 THE NONPROFIT HEALTH SERVICE PLAN;

4 (IV) ADDITIONAL SCREENING COSTS INCURRED IN TRANSITIONING
5 THE ENROLLEES AFFECTED BY THE WITHDRAWAL OF THE NONPROFIT HEALTH
6 SERVICE PLAN TO ALTERNATIVE MANAGED CARE ORGANIZATIONS; AND

7 (V) ANY ADDITIONAL COSTS TO THE STATE FOR PROVIDING
8 ENHANCED OR INCREASED RATES TO MANAGED CARE ORGANIZATIONS WHO
9 ACCEPTED ENROLLEES AFFECTED BY THE WITHDRAWAL OF THE NONPROFIT
10 HEALTH SERVICE PLAN; AND

11 (3) CALCULATION OF ANY TAX LIABILITY OWED BY A NONPROFIT
12 HEALTH SERVICE PLAN AS THE RESULT OF NOT MEETING THE DEFINITION OF
13 "NONPROFIT HEALTH SERVICE PLAN CORPORATION" FOR THE PURPOSES OF
14 QUALIFYING FOR A PREMIUM TAX EXEMPTION UNDER THIS ARTICLE.

15 (E) ON OR BEFORE DECEMBER 1, 2002, THE INDEPENDENT CONSULTANT
16 SHALL REPORT THE FINDINGS OF THE FINANCIAL AUDIT TO THE COMMISSIONER, TO
17 THE LEGISLATIVE AUDITOR, AND, IN ACCORDANCE WITH § 2-1246 OF THE STATE
18 GOVERNMENT ARTICLE, TO THE GOVERNOR AND THE GENERAL ASSEMBLY.

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
20 June 1, 2002.